

Message Text

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PAGE 01 ROME 15933 291928Z
ACTION EUR-12

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FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 5347

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EO 11652: NA
TAGS: AODE, IT
SUBJ: MODE - PERSONNEL LEVELS, DEPARTMENT OF THE TREASURY

REF: STATE 215056

1. THE EMBASSY IS NOT PERSUADED BY THE ARGUMENTS MADE
IN THE DEPT OF TREASURY'S LETTER OF JULY 13, 1978 AND
ATTACHED MEMORANDUM AND REAFFIRMS ITS RECOMMENDATION THAT
THE POSITION OF ASSISTANT REVENUE SERVICE REPRESENTATIVE
(ARSR ROME) BE REASSIGNED TO PARIS OR ELIMINATED.

2. ATTACHED TO THE JULY 13 LETTER WAS A JUNE 27 INTERNAL
REVENUE SERVICE MEMORANDUM SIGNED BY MR. KURTZ. MR. MURTZ
STATES "OUR TAX RETURN EXAMINATIONS COVERAGE WOULD
DECREASE." THE EMBASSY DOES NOT UNDERSTAND WHY THE TAX
RETURN EXAMINATIONS WOULD BE DECREASED SINCE WE ASSUME
THAT THE RETURN EXAMINATION ARE INITIALLY MADE IN THE
U.S. AT ONE OF THE IRS DISTRICT OFFICES. IF MR. MURTZ
MEANS THAT THE EXAMINATION ASSISTANCE IN FILING A TAX
RETURN WOULD DECREASE, THE EMBASSY ASSUMES THAT
THE SERVICES WOULD CONTINUE TO BE PROVIDED BY TDY
TEAMS JUST PRIOR TO TAX TIME AS IS THE PRESENT
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PAGE 02 ROME 15933 291928Z

PRACTICE. MR. KURTZ'S MEMORANDUM STATES THAT
"OUR POLICY TO PROVIDE ONE HIGH-LEVEL POINT OF
CONTACT...WOULD BE FRUSTRATED." HIS MEMORANDUM
DOES NOT SPECIFY THE GENESIS OF THIS POLICY NOR THE
JUSTIFICATION FOR ITS CONTINUATION. IT IS THE
EMBASSY'S EXPERIENCE THAT THE TREASURY ATTACHED AND
HIS OFFICE ARE INVOLVED IN ANY HIGH-LEVEL CONTACTS

WHICH BEAR UPON IRS ACTIVITIES. FURTHERMORE, THE TREASURY ATTACHE MAINTAINS NECESSARY AND APPROPRIATE HIGH-LEVEL CONTACTS IN ALL OF THE ITALIAN MINISTRIES CONCERNED WITH FINANCIAL AND TAX MATTERS.

3. MR. KURTZ STATES THAT THE ARSR POSITION PROVIDES "A VITALLY NEEDED SUPPORT ROLE". ASIDE FROM THE ASSERTION, THERE IS NO EFFORT TO DEFINE HOW "VITAL" THE POSITION IS.

MR. KURTZ STATES THAT IT IS NECESSARY TO HAVE A POST REPRESENTATIVE TO MAINTAIN "A COMMUNICATION LINK WITH HIGH-LEVEL FOREIGN TAX OFFICIALS OF CYPRUS, GREECE, ISREAL, ITALY, MALTA, TUNIS, TUREKY AND YUGOSLAVIA. THE TREASURY DEPARTMENT SHOULD BE ASKED TO BE SPECIFIC CONCERNING THESE COMMUNICATION LINKS. DURING CALENDAR 1977 THE EMBASSY ARRANGED ONE TRIP TO TURKEY, ONE TO ATHENS, AND ONE TO TEL AVIV FOR THE REVENUE SERVICE REPRESENTATIVE (RSR), MR. MCCARTER. TO DATE IN CALENDAR 1978, THE EMBASSY HAS ARRANGED ONE TRIP TO TEL AVIV FOR MR. MCCARTER.

5. THE DEPARTMENT SHOULD ALSO REQUIRE TRESARY TO PROVIDE THE FACTS ON HOW INFORMATION IS EXCHANGED UNDER THE TAX TREATY AND HOW OFTEN. DOES IT NEED TO BE DONE IN ROME? TREASURY SHOULD ALSO PROVIDE DATA LIMITED OFFICIAL USE

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PAGE 03 ROME 15933 291928Z

CONCERNING THE ALLEGED "DIRECT NEGOTIATIONS." HOW AMNY OF THESE NEGOTIATIONS HAVE BEEN REQUIRED ANNUALLY TO RESOLVE DOUBLE TAXATION CASES?

6. MR. JURTZ'S MEMORANDUM STATES THAT THE EMBASSY PROVIDES NO ADMINISTRATIVE SUPPORT. ACCORDING TO THE EMBASSY ADMINISTRATIVE SUPPORT AGREEMENT DATED OCTOBER 5, 1976 AND SIGNED BY MR. CHARLES LANDRY, ARSR, THE EMBASSY PROVIDES THE FOLLOWING SERVICES IN FULL: CASHIER AND DISBURSING OFFICER OPERATIONS, ADMINISTRATIVE SUPPLIES, BUILDING OPERATIONS, TELEGRAPHIC TRAFFIC, POUCHING, MAIL AND MESSENGER SERVICES, AND RECEPTION AND SWITCHBOARD SERVICES, PHYSICAL SECURITY, MARINE GUARD SERVICE, AND WATCHMAN SERVICES. THE FOLLOWING ADMINISTRATIVE SERVICES ARE PROVIDED ON A PARTIAL BAI: AMERICAN PERSONNEL MANAGEMENT, WELFARE AND HEALTH SERVICES, TRAVEL SERVICES, PAYROLL, VOUCHERING, POOLED VEHICILE OPERATIONS, PROCUREMENT, SHIPMENT AND CUSTOMS, AND PERSONNEL INVESTIGATIONS. THE DEPARTMENT OF TREASURY (IRS) WILL BE BILLED FOR POST OPERATING EXPENSE DOLS 23 THOUSAND TO WHICH THE DEPARMENT IWLL ADD OTHER COSTS.

7. EMBASSY APPRECIATES THE WORK WHICH IRS PERFORMED IN ASSISTING IN THE ARRANGMENTS FOR ITALIAN TAX OFFICIALS TO VISIT AND TO STUDY IRS PROCEDURES IN THE U.S. THIS, HOWEVER, IS NOT AN ONGOING OPERATION, AND IN VIEW OF THE TREASURY ATTACHE WOULD NOT IN ANY EVENT REQUIRE MORE THAN TWO OR THREE DAYS ONCE OR TWICE A YEAR.

8. THE EMBASSY DISAGREES WITH MR. KURTZ'S EVALUATION THAT THE ELIMINATION OF THE ARSR POSITION WOULD BE VIEWED WITH DISFAVOR BY FOREIGN TAX OFFICIALS. AS PREVIOUSLY NOTED, OFFICE OF THE TREASURY ATTACHE IS AVAILABLE FOR NECESSARY HIGH-LEVEL LIMITED OFFICIAL USE

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PAGE 04 ROME 15933 291928Z

CONTACTS. IN ADDITION, REMAINING STAFF IN IRS OFFICE COULD ACT AS A POINT OF CONTACT WHEN THE RSR IS AIN TRAVEL STATUS. HE WOULD ALWAYS BE WITHIN TELEPHONE OR TELEGRAPHIC REACH. THE EMBASSY IS UNAWARE OF ANY PAST OCCASIONS WHEN FOREIGN TAX OFFICIALS HAD ANY MATTERS OF SUCH PRESSING URGENCY THAT IT REQUIRED THE IMMEDIATE ATTENTION OF RSR.HOLMES

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